

# **Citizens Finance Review Committee**

## **Addendum to the Report**

### **Town Hall Meetings Summary**

Read the original Citizen Finance Review Committee Report

The City of Tucson's Citizens Finance and Services Review Committee participated in five town halls covering all of the City's wards from March 23 to April 1. Wards 1 and 5 held a combined town hall.

We are pleased to have participated in these town halls, which marked the beginning of an important community dialogue on the ideas presented in our report. The attendance at the town halls ranged from 15 to 75 citizens. The people who participated were clearly passionate about their views; their participation generated public discussion and presented new ideas.

Throughout the discussions, it was clear that the town hall attendees agree that the City must face up to its fiscal situation and plan for the future if our community is to avoid the problems of today becoming the crisis of tomorrow. Although they were divided on how best to solve the problems, the citizens attending believed that our community leaders must take action.

The following is a summary of the common themes **as viewed from the perspective of the committee**. Detailed comments from the town hall attendees are attached and we encourage members of the Mayor and Council to read them. The attached comments do not capture all the discussions at the town halls, but rather present the questions and comments from the attendees.

#### **Common Themes**

Regional cooperation

- Can local government be regional and non-partisan?
- Joint governance is a good thing; why can't the City and County work together?

Comments on new revenue options

- Mayor and Council must consider the effect on low income citizens when evaluating new revenue options for the City.
- Consider sunset clauses for specific revenue increases if this can help gain support to solve problems.
- An advertising tax may put local businesses at a competitive disadvantage since this tax would not apply to national chains that advertise and conduct business here (national advertising is exempt from local sales tax).
- Citizens need to be able to trust that the City is spending any new revenue wisely.
- A garbage collection fee is probably needed, but some citizens asked if there would be consideration for citizens only living part of the year in Tucson. Needs to have provisions for low-income residents.

Solutions for Our Community: A Regional Approach to the City's Fiscal Crisis  
Addendum, May 14, 2004  
Citizen Finance and Service Review Committee

- Developers believe they already pay impact fees indirectly when they are required to construct infrastructure (roads and sidewalks, for example) in new developments, then “give” these to the City. The concern was that an additional impact fee would amount to a double taxation if developers are also required to build the infrastructure. Also, impact fees must be justified by the real incremental costs to support these new developments.

#### Services provided by the City

- Who decides what services the City should provide? Set up a citizens committee to review services and help decide what “businesses” the City should get out of to save money.
- Can we stop some services? City television was used as an example. Who is looking at this?
- Eliminate non-core City services.

#### Improve the operation of the City

- Ask the City employees what can be done to save money in their departments. Create a system that protects employees, but at the same time encourages them to share their ideas.
- Create an independent audit function under the Mayor to review city spending and show the public that there is a good system in place to ensure their taxes are being spent appropriately.
- Change budget process to not penalize departments if they don’t spend yearly budget. Don’t automatically set a reduced budget for the following year.

#### City employee issues

- Some expressed concern with rising healthcare costs for City employees. Are there ways to stem the rising costs such as the City taking on more self-insurance responsibility? Should there be more contribution from employees for their benefits? This problem can’t be ignored.
- Some expressed concern that new revenues were needed to pay City employees for benefits (specifically health care) that many citizens do not have.

#### New ideas

- Set up additional citizen advisory committees on some of the follow-up items, such as how to formalize the city/county relationships.
- Consider changes to the city charter; increase power of Mayor and Council.
- Allow neighborhood groups to use City funds for some projects such as installing speed humps and traffic circles. Outside groups may be able to accomplish projects more efficiently than the City. Get donations and help from private organizations to offset some expense.
- Consider a wheel tax to be added to auto registrations as a way of collecting dedicated funds for transportation improvements.
- Implement a real estate transfer tax.
- Consider a two-tier property tax.
- Have a construction sales tax.

### Annexation

- Annexation may be an opportunity, but it requires cooperation with the County so the citizens get a break on property tax. A detailed plan should be put in place that makes sense and then taken to the citizens so they understand.
- What is the plan? What is the benefit?

Attached are compilations of notes taken by committee members at each town hall; they are not official minutes of the meetings.

### **Correction:**

Exhibit 10 of the report (“Revenue Issues for Consideration: Review Exemptions to the City’s Business Privilege Tax”) states, “[A]ll other Arizona cities that collect a business privilege tax include advertising.” According to the City of Tucson Finance Department, Tucson is the only major city to collect a business privilege tax and exempt advertising. Eagar, Gila Bend, Holbrook, Lake Havasu City, Quartzsite, Sahuarita, Sedona, Thatcher, Tolleson and Willcox exempt advertising. Fountain Hills, Marana, and Tucson effectively exempt advertising by setting the tax rate on the advertising activity at zero. Phoenix taxes advertising at a reduced rate of 0.5 percent.

The information presented in Exhibit 10 on rental tax collection is correct. Tucson and Flagstaff are the only major Arizona cities that do not collect a tax on residential rentals. Three additional cities do not collect a rental tax (on either residential or commercial rent): Colorado City, Prescott Valley and Sierra Vista.

## **Notes from Finance and Service Review Committee Town Hall**

### **3-23-04 Ward 2**

**Committee Representatives:** Suzanne Bott, Rick Myers, Mike Hammond

**City Representatives:** Council Member Carol West; Mayor Robert Walkup; Vice Mayor Fred Ronstadt; Andrew Greenhill, Mayor's Office; Todd Sander, City Manager's Office; Chris Kaselemis, Urban Planning & Design Department; Ward 2 staff

### **Comments from Attendees**

- How can we keep tax dollars from leaving Tucson? (In a show of hands, attendees indicated they want the City to have a priority of returning these dollars to the community). They wanted to know how quickly we can do this.
- I support the increase in Parks and Recreation fees that were made last year. A small fee encourages commitment.
- Bring back rental tax, exempt lower-priced rentals.
- Agree with advertising tax and imposing impact fees.
- Against garbage fees (Police, Fire, Garbage are basic services).
- How does Board of Supervisors feel about the State Shared Revenue dollars staying in Tucson? What can citizens do to help?
- I support all of the recommendations: regional government, garbage fee. This is the first place I've lived that doesn't have a garbage fee. It needs to be run as an enterprise.
- I support the regional government concept. What steps should be taken to move this?
- Don't tie regional plan to property tax.
- The report has good points. Garbage is not free now.
- Garbage fee is regressive.
- Shared garbage cans will be a problem if we institute a garbage fee.
- Raising property taxes and garbage fees would discourage annexation.

- Other states have a garbage fee.
- Once per week garbage pick up and recycling is getting us in the right direction.
- Why single out advertising industry for a tax? This will kill the small guys.
- The report is a good beginning, but you are underestimating how much growth costs. Growth in our community is overwhelming our abilities to keep up with residential services. Impact fees would help. We need a construction sales tax. We need gas tax increase with statewide cooperation.
- 2-tier property tax is a solution and a consumption tax. A 2-tiered tax would raise the tax on land and lower it on buildings. The lowest 20% pay the largest amount of income tax.
- The report is well done but didn't go far enough. Need ideas for implementation. Why not invite people from the County to encourage cooperation. Grass roots effort is needed to get the word out on state shared revenue loss.
- Annexation is good. I'm an unincorporated resident and I would save \$200 a year.
- I support a real estate transfer tax (on land) for speculators.
- Why do we have both a City Manager and a Mayor?
- There is a lack of political will in this community. Mayor had no power. Omaha has a strong mayor and it is a well-run city.
- The Board of Supervisors and the Mayor and Council will not meet. How can we ever get to consolidation?
- Mobile Home parks with seniors on fixed incomes will be hurt by tax increases. Need sliding scale or a compromise.
- Need to invest in our children. Parks and Recreation programs are cheaper than prison.
- Need better methods for repairing potholes. The City repairs the same holes over and over again.
- Need to slow down growth.
- A phase out of the advertising tax happened because it was inequitable.
- Need to think about the little guy when we talk about a garbage fee.

- An advertising tax will hurt the local small business, not Wal-Mart.
- Joint governance is a good thing.
- Need a blue ribbon group of County residents to discuss and push for annexation.
- Since garbage is a basic service; shouldn't we pay for this through property taxes?
- See that money is spent cost effectively. An internal auditor that reports directly to the elected officials would improve efficiency.
- Single parents cannot afford this. You should publicize scholarships.
- Would ads to publicize City's swim lessons be taxed?
- How would you deal with inequities between local and national chains advertising?
- Businesses with 500 or less employees should not be taxed for advertising.
- Joint governance issue should involve "Blue Ribbon" group of county residents.
- We sometimes forget that we all live in the county and pay the same taxes. The Board of Supervisors represents all of us, not just those in unincorporated areas.
- Garbage service is basic. Why is it difficult to fund through property tax?
- Ward 2 is an active recycling Ward.

Notes from Finance and Service Review Committee Town Hall  
**3-24-04 Ward 3**

**Committee Representatives:** Rick Myers, Mike Hammond, Bill McDermid

**City Representatives:** Council Member Kathleen Dunbar; Andrew Greenhill, Mayor's Office; Todd Sander, City Manager's Office; Chris Kaselemis, Urban Planning & Design Department; Ward 3 staff

**Comments from Attendees**

- More than ½ of the City's expected deficit is caused by increases in the health care and other employee benefits. Isn't it time for the City to ask its employees to pay their fair share of the city's insurance costs?
- Regarding employee benefits, isn't it ironic that the City wants to impose a rental tax which will be passed on to its poorest citizens, many of whom cannot afford health insurance, to subsidize health insurance for City employees?
- The library should be funded by the County from the library district tax. The cost of subsidizing the libraries is \$10 million. That suggestion would dramatically reduce the projected budget shortfall. Will this happen?
- Have the following opportunities been included in the City's budget projections: Eliminating Access Tucson and other outside agencies? Eliminating services directly provided by the City like KIDCO? Increasing fees for services like KIDCO? Eliminating non-core services?
- The short-term fixes must link to the long-term fixes. How will the short-term taxes help in the long term? What is the plan to correct things in the long term? I don't see a plan articulated.
- \$3.9 billion is needed for capital expenses. Will the short-term taxes help pay for these capital needs? Will taxes continue to rise? People won't be able to afford to live here.
- Why should the citizens of Tucson trust the City with more tax revenues when no such vision has been discussed or shared?
- Realistically, how much tax revenue from City and County will be necessary to meet the City's revenue needs? Will anyone be able to afford to live in Tucson by then?
- Isn't it possible to promote efficiency within the City by changing budget practices so that departments don't have an incentive to spend all of their funding every year?

- If the City annexed the Foothills and Casas Adobes, how much would it cost to provide services to them?
- Sales tax from small businesses is a big revenue for the City. How are we encouraging small businesses and helping them thrive?
- What is the committee's recommendation for development of residential garbage service fees?
- Were residents that share containers considered in the garbage fee calculations?
- Was the fee for commercial garbage service reviewed to ensure revenue and costs are balanced today?
- How will the garbage fees be determined?
- Did the committee review vehicle damage claims against the City as a cost avoidance to compare the cost of maintenance and repair of City streets?
- What is the overall tax burden on Tucson residents per resident? Are there benchmarks to what the citizens of well-run cities pay? How does Tucson compare?
- Many County residents oppose annexation or incorporation. What's in it for them?
- Regarding an advertising tax, how do we define "advertising"?
- Why doesn't the City stop giving incentives to attract businesses to come here because most leave when the incentives are expired. Why not consider negotiating such firms to repay incentives if they leave?
- If you want county politicians/staff to give the City power, what do you offer them?
- Why stay in the garbage removal business? Why stay in the fire department business?
- Can the citizen's advisory committee members be involved in the development of fees and assist with process efficiency aspects of this plan, since they have already been working with the departments and have committed to improve the community?
- What options does the City have to collect more income and property taxes from those who've benefited most from Tucson's "boom" years and can most easily afford to contribute more and lessen dependence on sales taxes?
- What about looking for efficiencies such as book donations, purchasing used books, or even looking at which books are purchased? Aren't results what is important, not expenditures?



- Why does the report focus on more taxes without first addressing cost reductions?
- Would the City's Environmental Services Department consider garbage collection fees based on actual usage – the same way we're billed for usage by Tucson Water and TEP as opposed to a flat rate?
- Isn't it time to pay our City Council Members a wage that reflects their importance in running a government of this size? Why are they the lowest paid employees in government? Mayor and Council shouldn't be a part-time job.
- How is Public Access funded? Does it pay for itself financially? It is a public service?
- Look at the City Charter – need to have a strong mayor.
- Annexation – Would the State be able to pay the \$60 million if we annexed the unincorporated residents?
- Is there a recommendation to report back on efficiency? People need to trust government.
- What about a vision, goals, results, and a plan that we can hold government accountable for?
- The committee said the City is not efficient – we're just going to raise taxes as usual.
- What about internal auditing – a watchdog group? Can't trust the City.
- Consolidated government will not happen – are there plans to present this report to Pima County?
- The Board of Supervisors and the county administrator didn't participate in recent PAG meeting and they won't engage in a consolidated government discussion.
- Neighborhoods can put in traffic circles and speed humps for far less than the City can. Why is there such a difference? Get the community more involved – this can help save money.

## **Notes from Finance and Service Committee Town Hall**

### **3-30-04 Ward 6**

**Committee Representatives:** Suzanne Bott, Rick Myers, Si Schorr

**City Representatives:** Vice Mayor Fred Ronstadt; Andrew Greenhill, Mayor's Office; Albert Elias, Urban Planning & Design Department; Todd Sander, City Manager's Office; Ward 6 staff

#### **Comments from Attendees**

- Concern over user fees to cover costs for liquor licenses and building permits vs. taxpayer subsidies. Is full cost recovery being implemented and what is the comparison to taxpayer subsidies? For example, Parks and Recreation fees are 70% subsidized; would "ramping up" county residents to pay for full costs.
- Tucson need to look at new funding sources rather than focus on more effective spending strategies. The City needs to address if impact fees actually pay for City services.
- The City is so far behind financially that we must generate more sources for revenue. Two possible options would be a fuel tax or a real estate transfer tax. I suggest looking at the state financial review on the state of Arizona web page for information regarding these tax opportunities. Also, when discussing development impact fees we must consider if homeowners will be hit twice in the buying and selling of homes. We currently have the highest property tax rate in the state of Arizona, how can we ask property owners to pay more than their fair share?
- There are some very serious concerns regarding implementing an advertising tax on business owners. The current report states that Tucson is the only jurisdiction that exempts advertising tax. This statement is simply not true. Marana and Oro Valley both have no tax on advertising. As a media owner this presents an unfair tax placed onto businesses that choose to conduct business in the city limits. There would be incentive to move business elsewhere. There are other options we have not looked into. For example, in Omaha there is a wheel tax of \$20 tacked onto car registration fees that specifically are used to cover road repairs.
- The focus of the review should be concentrated on who determines what city "needs" are. Who determines what services are truly "needs"? A needed service requires money. A city that dictates what a community's needs are, is implementing a backward policy. The council has discussed outsourcing for services, but is it truly cost effective? For example, if the parks departments between the city and county are consolidated, how will the citizens know if the department will be more effective? What are the benchmarks and specs outlining this information?

- The calculation of annexation fees does not add up. That suggests that each person pay \$2,000 per person in fees, if you add 500,000 people in the annexation process, where is the additional funding going? Services will be much higher for city residents when for example garbage collection must travel to far reaching areas like Avra Valley. Implementation of these types of fees will be critical in determining cost efficiency.
- Developers and the renting populations were not well represented on the Citizen Finance and Service Review Committee in compiling this study. I conducted my own research and found that  $\frac{3}{4}$  of all apartments in the Tucson area fall below the HUD standard of the low-income threshold. Through my own analysis of HUD's information with regard to apartment renters, 99.999% of those residences were well below HUD's standard of the low-income threshold. A tax that imposes fees on our most financially repressed populations is inequitable and unfair. As a developer, I just paid out \$1.2 million dollars in impact fees simply to break ground in the City of Tucson – this is 7% of the total cost of the entire construction project. A refuse tax is definitely needed, renters already pay for garbage pick-up, so should home owners. Aren't our current impact fees enough?
- Is the City of Tucson doing enough to attract new industry? Impact fees and restructuring the current system are not enough. The City must be proactive in economic development endeavors to bring new industries that will ensure future economic growth.
- Business owners were unfairly singled out in this study in regard to the proposed advertising tax. Imposing an advertising tax would mean less business spending money to advertise, which would mean fewer people spending money, which means less sales tax revenue, which is our primary method for collecting tax revenue. This type of tax could have very serious ramifications for Tucson. 44% of all revenue used to operate government services comes from sales tax.
- In reference to the Rio Nuevo project projected matching funds would be \$60 million dollars. If sales tax revenue increases, will that additional revenue go into the general fund?
- Concerned about the resources that were made available to the Citizen Finance and Service Review Committee in compiling the report. I take issue with the fact that the City Manager's staff was the primary resource made available to the committee. It appears that this report has the seal of approval from the City Manager to promote his FY'04-05 budget. There were errors made in the report, for example the statement is the only City that doesn't have an advertising tax. Can the report be amended if errors are identified?
- Why was this report "stamped" final without getting any public input first? Why wasn't a draft initiated? The annexation numbers need to be rechecked.

## **Notes from Finance and Service Review Committee Town Hall**

### **4-1-04 Ward 4**

**Committee Representatives:** Suzanne Bott, Mike Hammond, Fred Boice

**City Representatives:** Council Member Shirley Scott; Mayor Robert Walkup; Vice Mayor Fred Ronstadt; Albert Elias, Urban Planning & Design Department; Chris Kaselemis, Urban Planning & Design Department; Ward 4 staff

### **Comments from Attendees**

- Mixed emotions – these things have been talked about before
- Why does Maricopa spend so much less per capita than Pima County?
- Would the city consider tax on employees who work in the City but are living outside the city? In New York City, all workers in the city pay a tax to fund municipal services.
- Rental tax – we shouldn't do this! It is not fair.
- City employees get good benefits. Is there too much given to them? Isn't it true that they do not pay anything towards their health care?
- As a multi-housing representative, I am against a rental tax. The City would be trying to balance the budget on the backs of those least able to pay. Even with a lifeline, it's not a good idea. Using HUD's definition for low-income rentals, only 26 of our 46,000 rentals in Tucson are not "low income" rentals.
- In favor of a refuse fee. Multi-family housing people already pay for their garbage, so single family homeowners should also pay. Compliment the Committee – something needs to be done. Appreciate the Water Department's effort to raise fees last year – my group supported it.
- Impact fees are overdue. Impact fees won't reduce the number of homeowners – builders will build more cheaply.
- Garbage fees and rental taxes are regressive taxes. They would be very hard on people with a fixed income. What about people that are only here for 6 months of the year? Need to study how it affects renters. Blue/green barrels are ugly.
- Why don't Mayor and Council and the Board of Supervisors meet? Is it a political thing?

- Can local government be regional and non-partisan? Why would Foothills' residents want to be annexed?
- Cable Access Channel – why is Access so expensive? It costs us \$800 K. Is this untouchable?
- Advertising tax – what is “advertising”. The ad industry does contribute to the tax base – employees, business. 14% of state jobs are related to advertising. The advertising industry contributes a lot to city and state coffers. The advertising tax was inequitable, which is why it was phased out. Example: Nico's would be taxed; On the Border would not be taxed. Has a copy of a report.
- People will not pay for trash pick up – it is already paid for with property tax. It would be unjust if the garbage fee went into the General Fund. Fees collected should only go to services related to garbage/recycling services.
- Did the committee look at where money is spent?
- “Bait & switch” fees are not right: retirees and veterans should not fund police raises.
- Why doesn't recycling cover itself? If it doesn't, we should drop it
- Bonds; do they always have cost overruns?
- Roadwork and delays costing everyone and they should be fined.
- I would like Houghton to be widened, and a park for the southeast side.
- You asked us for solutions if we are critical of the committee's ideas. Please set up another meeting so we can have some time to talk to our neighbors about the report. Information/education is not happening!
- Thanks to the committee for its work.
- How is advertising defined for purposes of this tax?
- What can be done? Reduce the “doodling” – new city logo on new printing, signs, police cars. If it ain't broke, don't fix it. No need to invest the time and money to change it.
- Is there some groundswell leading toward annexation?
- The citizens need to be able to trust the government and see better planning. Need to make sure that the government doesn't hurt us with increased fees/taxes.
- Need to get the young people involved in government.

## **Notes from Finance and Service Review Committee Town Hall**

### **4-1-04 Wards 1 and 5**

**Committee Representatives:** Bob Freitas, Rick Myers

**City Representatives:** Council Member Steve Leal; Council Member Jose Ibarra; Andrew Greenhill, Mayor's Office; Todd Sander, City Manager's Office; Barbara Hayes, Urban Planning & Design Department; Council Office staff

### **Comments from Attendees**

- Question from a City employee in the Environmental Services department: We have had an increase of work capacity. The city manager has suggested a fee increase for users. Would the revenue go to the general fund or the department? Someone should speak with employees about efficiencies instead of speaking to administrators or department heads.
- If there were just one item you could count on obtaining – a cap on property tax or the County helping the City?
- We should create an anonymous way for employees to make suggestions.
- Citizens pay the highest property taxes in the state. This becomes a quality of life issue, especially for seniors. How many committee people live in the City?
- Short-term solutions include revenue enhancement. Is there a plan for an effective technique to look at efficiencies?
- The real issue is trust. As residents of any city, there are services we need and will pay for. Every time there is a budget cut, it's cut police or library books. The City fritters away thousands of dollars on things like cable TV. What are the priorities for services we need?
- The average family of 4 pays \$360 per month [for health insurance]. COT gives almost free health insurance but wants to charge people without health insurance for garbage pickup.
- Taxes paid in this part of the City are higher than any part of the state. Need 14-19 more schools in this area. What happens to our taxes? Taxes will go up. Our people can't afford to pay more taxes.
- Impact fees: Built a house in the east and had to pay the City for a portion of streets and sidewalks. Let outfits [developers?] furnish sidewalks, curbs. We shouldn't pay for people on Houghton Road. Figure it out so it doesn't impact everyone.

- Comment from Environmental Services employee: Regarding health insurance for COT. He invited people to ride with him. Employee for 20 years. Maybe we don't deserve this, but we make sacrifices to get this point. Works on holidays.
- Be totally up front with us. This should be about solving the problems. Nothing should be off the table for cuts. Everything should be on the table.
- Council has no political will to say no. What kinds of things can we live without? A TV station?
- Aligning of funding for libraries. Explain why this doesn't need to be paid for by the City of Tucson? The County has the ability to bond for libraries and they've chosen not to fund. The committee says get the money. People shouldn't be getting a free ride. The library district isn't taken advantage of.
- Governance of the libraries: Switching responsibility for libraries could risk service delivery for libraries. Rather, have a good working relationship. Need to think about what the library system should be like over time.
- Hold Supervisors and Council people accountable.
- Council members should work on consolidation